WebSphere® software

Best practices in multi-channel retailing

August 2005

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Introduction

The majority of U.S. households now shop online, in addition to making purchases through traditional channels such as retail stores and catalogs. In fact, recent research shows that online shopping is having a growing influence on sales in other channels. One study found that for every dollar spent with a retailer online, consumers were influenced to spend an additional six dollars with that retailer offline. In fact, 27 percent of all retail sales are said to be influenced by the Web.[1]

Research also indicates that many retail businesses are falling short of their revenue potential, leaving many new sales opportunities untapped. Technology has opened up a whole new world of options for multi-channel retailers. But in order to pursue them, these companies need their systems, processes, data and applications to work together seamlessly. For that reason, cross-channel integration is the new retail imperative.

Studies show that cross-channel consumers are among the most valuable. These are consumers who are comfortable moving from one sales channel to another, using the channel that works best for them at any given moment— whether that's a Web site, a catalog or a retail store. Informed and experienced, these consumers are difficult to attract and even harder to retain.

The shopping and purchasing patterns of today's consumers have serious implications for retail businesses. Offering products for online sales is no longer a differentiator. Offering multiple channels is no longer a differentiator. In order to fuel the next level of growth, retailers must set aggressive new business goals to meet consumer expectations and capitalize on the revenue opportunities that multi-channel retailing presents. Integrated multi-channel retailing (IMCR) solutions can help companies meet these goals by helping to create a consumer-centric organization—one that fosters customer loyalty, strengthens brands and improves business across all channels.

> *"Consumers are increasingly comfortable mixing stores, catalogs and the Internet into their shopping experience. Retailers must integrate their channels or risk losing walletshare to more responsive competitors."*
>
> *— Jeffrey Grau, senior analyst, eMarketer [2]*

The changing retail landscape

Today's retail landscape is changing rapidly. Revenue growth is back at the top of companies' agendas, replacing cost reduction as the top priority for most companies.[3] While cost savings and productivity are still vitally important, this renewed focus on revenue growth places increased importance on attracting new customers and improving customer loyalty. But at the same time, today's experienced consumer has made that task more difficult.

Consumers have grown accustomed to the always-on nature of the Web and have experienced what technology-savvy retailers can do for them. They expect more from retailers in terms of product information, convenience and customer service. They demand to shop when, where and how they want. And they expect their preferred retailers to know who they are—in terms of customer history and preferences—regardless of which channel they choose to use. Today's sophisticated "super shoppers" are armed with more information than most retail sales associates. They have more choices than ever, and the Web makes it all too easy to switch brands if the customer's expectations are not met.

Despite the challenges today's empowered consumers present, studies of consumer behavior show strong revenue opportunities for multi-channel retailers. Not surprisingly, 60 percent of retailers find multi-channel shoppers more profitable.[2] Just how much more profitable are they? A multi-channel sales study by IBM customer REI found that in a 24-month period, dual-channel shoppers spend 114 percent more per customer than single-channel shoppers, and tri-channel customers spend 48 percent more than dual-channel shoppers.[4] These statistics show the value of a well-executed multi-channel business model and the integrated infrastructure behind it.

In today's retail market, traditional sources of competitive advantage are eroding. Customer experience is the new differentiator. Retailers who can't meet customer demands for product information, convenience and customer service are being squeezed out. Successful retailers are the ones who gain competitive advantage by harnessing the power of technology to deliver consistently rewarding customer experiences. Companies are learning what it takes to gain consumer "walletshare," but the potential for cross-channel revenue growth is only beginning to be realized.

The promise of integrated multi-channel retailing (IMCR)
Cross-channel shoppers are generally younger, wealthier and more experienced with the Web. They are extremely qualified buyers who enter stores informed and ready to purchase. Retailers with an integrated multi-channel solution are in a better position to capitalize on the shopping patterns of this growing segment of sophisticated consumers.

Of course, multi-channel retailers face tough challenges in meeting ever-increasing customer expectations. But IMCR can help turn those challenges into opportunities for revenue growth and customer loyalty. IMCR can also help companies capitalize on the dynamic opportunities unique to multi-channel retailing. IMCR allows you to:

- *Provide convenient and satisfying shopping experiences for sophisticated customers. This challenge can be met by streamlining applications and data, orienting processes around customer expectations and giving customers anytime access to information and customer service.*
- *Implement competitive differentiators for attracting new customers. Features such as integrated gift registries and cross-channel promotions can bring new customers into the shopping experience through a variety of channels.*
- *Exploit new opportunities for branding and developing customer loyalty. Features such as wish lists and personalized Web pages keep customers coming back to your site and your store. Consistent cross-channel messaging reinforces your brand.*
- *Create and maximize cross-channel revenue opportunities. Personalized product recommendations, guided selling and cross-channel coupons generate new revenue growth and provide valuable feedback for future initiatives.*
- *Minimize cost and risk while enabling growth and responsiveness. A single-platform solution can leverage open technologies, integrate existing assets, build flexibility into the infrastructure and position the company for rapid response to changing market demands.*

IMCR can position a multi-channel retailer for success by addressing the pain points associated with multi-channel retailing and by facilitating the many opportunities for cross-channel branding, marketing and sales.

From MCR basics to IMCR best practices

Multi-channel retailing is different from integrated multi-channel retailing. Most retail businesses offer two or more sales channels — such as a retail store, a catalog and a Web site — but few have integrated these channels to offer a truly seamless cross-channel shopping experience. Very often, these sales channels are virtually independent of one another, which severely limits the business intelligence that can be captured, analyzed and leveraged. Most retailers have a fragmented single-channel view of their customers, making it difficult to accurately determine who their most loyal and profitable customers are.

Retailers who are successful at MCR are giving their customers the basics: online inventory and pricing information, a responsive call center and an informed in-store sales team. But whereas MCR might mean e-mailing customers to promote a sales event, IMCR would mean e-mailing customers with a coupon for a specific product based on the customer's purchase history (regardless of where the purchase was made). Whereas MCR might mean having an in-store gift registry kiosk, IMCR would mean having an online gift registry integrated with the in-store kiosk. Whereas MCR might mean providing customer service via e-mail, IMCR would mean providing customer service via real-time online chat. IMCR multiplies your capabilities exponentially.

Successful IMCR requires transformation from independent retail channels to fully integrated channels and touchpoints. It requires changes to technologies and infrastructure, refocusing and streamlining of processes and a shift in company culture and attitudes. But a truly integrated multi-channel retailing solution enables countless new features and strategic initiatives, including the following best practices.

Enabling customers to conduct business through any channel. In a fully integrated MCR solution, customers should be able to conduct business through any available channel. They should be able to place an order online, change the order through a call center agent and check the status of the order during a visit to the retail store. They should have the option of picking up their order at the retail store, where they may find they need to purchase auxiliary items. They should be able to return a product to the retail store, even if they ordered it online or through the call center.

Customers should be able to gather any information they might need from any channel, whether they are looking for product information, special events and promotions, store locations and hours, customer order history, wish lists, account information or store policies. This information should be readily available online, through a call center agent or through a kiosk or sales agent in the store. (Catalogs or other published material should include the most commonly requested general information, including details on how to access the Web site or call center.) Communication channels should be two-way, so that customers can submit feedback, ask questions, request a catalog or provide other information through these same channels.

Customers should be able to use gift cards or coupons for an online purchase, an in-store purchase or a catalog purchase. Gift registries should likewise be integrated and accessed easily from all channels.

Enabling cross-channel business opportunities. Retailers can use IMCR to create a more personalized shopping experience for customers. The IMCR solution should support guided selling, providing online customers with product information as well as decision trees for determining which product best meets the customer's requirements. Retailers should also provide comparisons to similar products within the brand or company. According to a Forrester Research study, 74 percent of online shoppers start their product research with the retailer's site.[5] Companies who manage the product research process have the competitive advantage.

IMCR also enables suggestive selling. Retailers can leverage customer order history and product and channel preferences to personalize the shopping experience and make personalized product recommendations. When based on solid business intelligence, these targeted recommendations can become a trusted source of product ideas for loyal customers.

Retailers taking full advantage of IMCR will be able to implement cross-channel customer loyalty programs, where customers can earn points or credit that can be accumulated and redeemed from any channel. Retailers can use business intelligence in highly strategic ways—using customer order history and product preferences to develop targeted sales promotions, then using customer contact information and channel preferences to deploy them effectively. They will be able to conduct comprehensive branding campaigns, issue consistent marketing messages and promote cross-channel sales events. Retailers can use all the channels to gather valuable information and even to test new products, services, promotions and other ideas.

Enabling improved performance in each channel. Regardless of the level of sophistication, each channel should provide the highest standards of performance. Web site performance issues such as response time and security cannot be taken for granted. In fact, they can easily cause customers to lose faith in a company and switch to a competitor's site. Multi-channel retailers must be committed to accommodating customers' requirements. And as they implement the best capabilities IMCR has to offer, companies must not neglect to provide the basic functionality customers have come to expect.

Success Requires Transformation
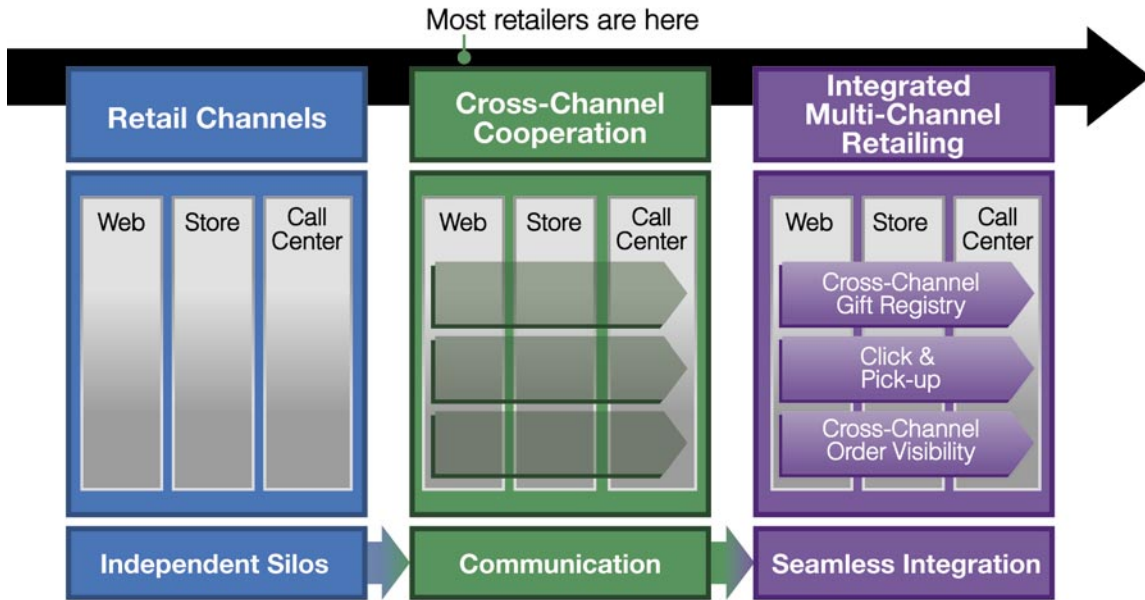
Successful IMCR requires transformation from independent retail channels to full integration.

IMCR solutions from IBM

IBM's next-generation e-commerce solution provides an integrated selling environment that can serve as the foundation for a retailer's multi-channel strategy. Built on the IBM WebSphere® Commerce product family, this solution enables the following core capabilities.

- *Guided selling — a Web-based system that provides automated sales assistance and product comparisons to guide customers through the decision-making process*
- *Cross-channel contextual marketing, including customer segmentation, personalized content and offers, marketing campaigns, promotions and incentives, cross-sell/up-sell and suggestive selling, search engine optimization and e-mail campaigns*
- *Multi-channel gift registry — an integrated system that allows registrants and gift givers to use the registry via any channel*
- *Cross-channel shopping processes, including in-store online shopping via kiosk or other interface, online order and in-store pickup, cross-channel returns and cross-channel availability and order status checking*
- *Business intelligence and marketing experimentation, providing insights that help you understand your customer and your business better*
- *Globalization — the direction more and more retailers are headed in order to fuel their next phase of growth*

The WebSphere Commerce solution also enables extended capabilities such as consolidated order and inventory management. This integrated component aggregates information from multiple systems and provides cross-channel visibility of data and access to purchasing and fulfillment activities. Unified product and content management, another extended capability, provides central management of product information and unstructured content across all channels and touchpoints. The capability of multi-channel customer management provides central management of the customer information collected across all channels and touchpoints.

REI optimizes sales with WebSphere Commerce

Millions of hiking, climbing, camping and paddling enthusiasts make REI their first stop whenever they head for the great outdoors. And as one of the leading recreation sporting goods stores, REI interacts with customers in several ways— through retail stores, an online store, a Web-based discount outlet, a call center and catalog sales.

REI wanted to find a way to synchronize retail channels rather than pitting them against each other. And they needed to maximize revenue across store and Internet channels while providing customers with a more rewarding shopping experience. Using IBM WebSphere Commerce, REI integrated its multi-channel retailing features to meet these goals.

REI's customers can now access the gift registry capabilities online or in the store. This resulted in a one percent increase in store sales, totaling more than US$8 million in the first year. REI also achieved 100 percent payback in six months for its in-store pickup service, one of the new Web applications enabled on the WebSphere Commerce platform. It allows Internet shoppers to select items from an REI Web site and have that merchandise shipped to a local store without a shipping charge. REI also improved customer satisfaction and loyalty and increased walletshare and customer lifetime value.

"WebSphere Commerce and the WebSphere software platform have helped us build a robust, scalable multi-channel retailing environment, which is enabling us to maximize revenues, increase customer lifetime value and offer customers a consistent experience across channels. "

— Joan Broughton, vice president of multi-channel programs, REI

"Our decision to implement on the WebSphere software platform was based on the extensibility of the platform and its support for integrating Web applications with our other channels and our back-end fulfillment," says Joan Broughton, vice president of multi-channel programs at REI. "WebSphere Commerce and the WebSphere software platform have helped us build a robust, scalable multi-channel retailing environment, which is enabling us to maximize revenues, increase customer lifetime value and offer customers a consistent experience across channels."

Final considerations

As companies embark on the implementation of IMCR, there are several business factors that need to be taken into consideration. Experience has shown that long-held business practices can hinder innovation and create barriers to IMCR success. For example, despite being integrated, sales channels may continue to operate in isolation, systems may remain vertical and processes may remain channel-centric.

IMCR requires more than the integration of technical components—it requires a shift in the corporate culture to one that can accommodate new ways of thinking about multi-channel retail. Company structures should be reorganized around brands instead of channels. Profit and loss should be combined in order to eliminate outmoded silos and to reflect the new synergies between the channels. New incentive programs should be created to encourage cross-channel cooperation.

Further, companies should ensure that their IMCR solution reflects the characteristics specific to the industry in general and the company in particular. One size does not fit all. The infrastructure design should be built around the customer's specific needs and expectations, the unique business processes and systems and the company's strategic long-term goals.

Learn more

IMCR holds the promise of seamless cross-channel transactions, consistent interactions and streamlined customer-centric processes, all aimed at providing a more satisfying, cost-effective shopping experience for consumers. Armed with these capabilities, retailers can act swiftly and appropriately to optimize customer satisfaction and revenues.

IBM is dedicated to providing the integrated multi-channel solutions companies need in order to thrive in today's demanding retail environment. For more information, visit **ibm.com**/websphere/commerce

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1   "The State of Retailing Online," Shop.Org and Forrester Research,
    May 2005.

2   Jeffrey Grau, "Online Consumer Selling: A Multi-Channel
    Perspective," eMarketer, February 2005.

3   IBM Global CEO Survey, February 2004.

4   IBM case study, "REI optimizes sales with cross-channel
    commerce solution." August 2004.

5   Carrie Johnson, "Getting Multichannel Retailing Right," Forrester
    Research, December 10, 2004.